

LHFA Insurance Cost Initiative
Application to OCD for Operating Deficit Loan Program
Final (posted March 22, 2007)

Project Name: _____ # Units: _____

LHFA Project #: _____ Parish: _____

Applicant: _____

Certifications by Applicant of the above referenced project ("Project"):

1. The undersigned is duly authorized to complete this Application and make the certifications contained herein on behalf of the Applicant.
2. Applicant acknowledges that the decision to award an Applicant an Operating Deficit Loan, and the amount of any Operating Deficit Loan, are to be determined by OCD in its sole and absolute discretion.
3. Applicant acknowledges that if it is awarded an Operating Deficit Loan, Applicant shall be obligated to comply with all applicable requirements imposed upon recipients of Community Development Block Grant funds.
4. Applicant has read the form of Legal Documents to be posted on the OCD's website during the application period (<http://www.doa.louisiana.gov/cdbg/drhome.htm>) ("Legal Documents"). The Legal Documents are incorporated in this Application by reference. Applicant agrees to execute the Legal Documents without modification and to be bound by the terms of the Legal Documents should this Application be approved. Capitalized terms in this Application have the meanings set forth in the Legal Documents.
5. In preparing this Application, except for filling in all blanks, Applicant has made no changes to the wording or meaning of the template Application form.
6. Applicant has determined that actual costs for Eligible Insurance will exceed the amounts estimated in the Project's QAP application to LHFA, and that Excess Insurance Costs, if not offset with additional funds, jeopardize Applicant's ability to finance and/or construct the Project.
7. Applicant acknowledges that if it is awarded Operating Deficit Loan funds, OCD will disburse such funds in accordance with the Legal Documents, and that no funds will be retained by Applicant with respect to a Funding Year unless (a) there are Excess Insurance Costs in such Funding Year; (b) a Surplus Cash Deficit exists as of the last day of such Funding Year; (c) no Event of Default has occurred under the Legal Documents or with respect to any obligation that Applicant may have to LRA, OCD or LHFA; and (d) no event

which with the passage of time may become an Event of Default has occurred and is continuing under the Legal Documents or with respect to any obligation that Applicant may have to LRA, OCD or LHFA.

8. Applicant requests the following interest rate for an Operating Deficit Loan (check one):
 - A. _____ Zero percent (0%), simple interest (not compounded).
 - B. _____ Interest at the long term Applicable Federal Rate in effect when the Loan Agreement is executed, compounded annually.
9. LHFA has reserved GO Zone Credits for the above referenced Project. The Project and the Applicant are currently in compliance with all applicable requirements of LHFA and the Low Income Housing Tax Credit program. If a Material Change or Re-Processing Change (as defined in the QAP) should occur, Applicant agrees to provide OCD with a copy of its revised QAP application.
10. Enter "Yes" and fill in the blanks for either A or B (including i or ii):
 - A. _____ The Project currently has a commitment to provide Permanent Supportive Housing (as defined in the 2007-2008 QAP) covering at least 5.0% of total units. No additional Permanent Supportive Housing commitment is offered or required.
 - B. _____ If OCD accepts this Application, Applicant agrees to commit to provide Permanent Supportive Housing for the following number of units _____ comprising no less than 5.0% of the total units in the Project. (Enter "Yes" for either i or ii)
 - i. _____ See Exhibit E attached hereto for a breakdown of the unit types proposed in fulfillment of this PSH commitment. These additional units have rents affordable at or below 30% AMI.
 - ii. _____ See Exhibit E attached hereto for a breakdown of the unit types proposed in fulfillment of this PSH commitment and for an estimate of the gross potential revenue shortfall that would occur if Applicant were required to fulfill this commitment (including affordability at 30% AMI) without receiving additional subsidy. Applicant is under no obligation to reduce the otherwise applicable rent in order to accommodate Permanent Supportive Housing households.
11. If OCD accepts this Application, Applicants agree to execute the following legal documents when and as requested by OCD:
 - A. Within 10 days after award, the Operating Deficit Loan Program Award Acceptance Agreement. ("Award Agreement")
 - B. Within 30 days after executing the Award Agreement:
 - i. An Operating Deficit Note substantially in the form posted on the OCD web site.
 - ii. An Operating Deficit Mortgage substantially in the form posted on the OCD web site. Applicant will cause the Mortgage to be recorded in the manner and with the lien priority as requested by OCD and will provide evidence of such recordation to OCD.

- iii. A CDBG Use Agreement substantially in the form posted on the OCD web site. Applicant will cause all pre-existing liens to be subordinated to the CDBG Use Agreement and will provide evidence of such subordination to OCD.
12. Exhibit A attached hereto documents the exact amount included in the Project's QAP application (Pro Forma Calculation page, Baseline Application column) for line 6720 Property & Liability Insurance. Exhibit A identifies the estimated annual cost of each type of insurance coverage, itemizes the various types of insurance coverage in sufficient detail to support OCD review and analysis, includes contact information for Applicant's insurance provider(s) and advisor(s), and identifies the level of coverage on which each estimate was based. Exhibit A also includes the evidence on which the estimate was based (e.g., copies of actual Declarations pages from policies for comparable projects, complete copies of quotes, ...).
 13. Exhibit B will be used to assess current insurance market conditions. OCD's approval of an application does not constitute approval of the contents of Exhibit B. OCD retains the right prior to any funding under the Program to review and approve the types, amounts and costs of coverage sought by the Applicant to ensure that they are consistent with the terms of the Program. Exhibit B documents the amounts Applicant now expects to pay for the same types and amounts of insurance as set forth in Exhibit A. Exhibit B fully documents each of the insurance policies included in this estimate, the estimated annual cost of each type of insurance coverage, itemizes the various types of insurance coverage in sufficient detail to support OCD review and analysis, includes contact information for Applicant's insurance provider(s) and advisor(s), and identifies the levels of coverage on which the estimate is based. Exhibit B also includes the evidence on which the estimate is based (e.g., copies of actual Declarations pages from policies for comparable projects, complete copies of quotes, ...).
 14. Applicant authorizes its insurance provider(s) and advisor(s) to release to OCD any information reasonably requested by OCD concerning Exhibits A and B.
 15. Exhibit C attached hereto sets forth in narrative form all measures Applicant has considered to reduce insurance costs including but not limited to physical design changes, obtaining multiple quotes, increasing deductibles, decreasing insured values and pooling insurance with other properties. The narrative shall contain sufficient detail to enable OCD to evaluate whether Applicant has taken all reasonable steps to minimize the cost of Eligible Insurance.

16. Except as specifically noted in Exhibit D hereto, each certification, representation or warranty delivered by Applicant pursuant to this Application is true and correct, and shall remain true and correct at all times through the Funding Period. In the event any such certification, representation or warranty is no longer complete or correct, and without limiting OCD's rights and remedies, the Owner shall immediately provide to OCD an updated document completing or correcting the certification, representation or warranty. (Enter "Yes" for either A or B):
- A. _____ There are no exceptions noted in Exhibit D.
- B. _____ Exhibit D notes one or more exceptions.
17. Attached hereto is an electronic copy of Applicant's current QAP Application. Applicant certifies that the attached electronic copy is identical to the most recent QAP Application that Applicant presented to LHFA.

Submit applications to:

Office of Community Development
Disaster Recovery Unit
Attn: Piggyback Program
1201 North Third Street, Suite 6-160
Baton Rouge, Louisiana 70802
Attn: Thomas LaTour
(225) 219-9600
thomas.latour@la.gov

_____ (Legal Name of Applicant)

By: _____ Date Signed: _____

Its: _____

Name: _____

Title: _____

Exhibits:

- A – Documentation of Insurance Costs Estimated in Project's QAP Application
- B – Documentation of Current Insurance Costs for Eligible Insurance
- C – Owner's Statement of Insurance Cost Control Measures
- D – Exceptions to Owner's Certifications
- E – (if applicable) Detail of PSH Commitment
- F – Copy of Applicant's Current Electronic QAP Application

Exhibit A: Documentation of Insurance Costs Estimated in Project's QAP Application

| Type of Insurance | Estimated Annual Cost | Deductible Amount | Coverage Limit |
|-----------------------------|-----------------------|-------------------|----------------|
| Flood | | | |
| Wind | | | |
| Other Casualty (e.g., fire) | | | |
| General Liability | | | |
| Excess Liability | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Total | \$ | | |

Attach contact information for Applicant's insurance providers/advisors, and the evidence on which the above estimate was based (e.g., copies of actual Declarations pages from policies for comparable projects, complete copies of quotes, ...).

Exhibit B: Documentation of Current Insurance Costs For Eligible Insurance for the Project (If Purchased Today)

| Type of Insurance | Estimated Annual Cost | Deductible Amount | Coverage Limit |
|-----------------------------|-----------------------|-------------------|----------------|
| Flood | | | |
| Wind | | | |
| Other Casualty (e.g., fire) | | | |
| General Liability | | | |
| Excess Liability | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Other (itemize) | | | |
| Total | \$ | | |

Attach contact information for Applicant's insurance providers/advisors, and the evidence on which the above estimate is based (e.g., copies of actual Declarations pages from policies for comparable projects, complete copies of quotes, ...).

Note – Exhibit B will be used to assess current insurance market conditions. OCD's approval of an application does not constitute approval of the contents of Exhibit B. OCD retains the right prior to any funding under the Program to review and approve the types, amounts and costs of coverage sought by the Applicant to ensure that they are consistent with the terms of the Program.

Exhibit C: Owner's Statement of Insurance Cost Control Measures

**Exhibit D: Owner's Statement of
Exceptions to Certifications, Representations and Warranties**

_____ (Legal Name of Project Ownership Entity)

By: _____ Date Signed: _____

Name: _____

Title: _____

Exhibit E: Detail of PSH Commitment

| Unit Type | Total Units in Project | LIHTC Units | PSH Units | Affordable at or below 30% AMI Income Level in QAP Application? |
|-------------------|------------------------|-------------|-----------|---|
| Efficiency | | | | |
| One bedroom | | | | |
| Two bedroom | | | | |
| Three bedroom | | | | |
| Four bedroom | | | | |
| Other | | | | |
| Total | | | | |
| % of total | | | | |

Instructions to Applicants:

- Exhibit E is required only for projects that do not already have a PSH commitment for no less than 5% of total project units.
- PSH Units will be no less than 5.0% of total units.
- The State prefers one bedroom units, if available, for the additional PSH commitment.
- If a unit type is affordable at or below 30% AMI, explain how the affordability is provided (e.g., project based Section 8 contract, existing commitment in the Tax Credit Regulatory Agreement).
- If there is an affordability shortfall, include a statement explaining the level of affordability to which you have already committed for each unit type (e.g., affordable for Households in Poverty, affordable at 40% AMI).
- If there is an affordability shortfall, include a computation of the revenue shortfall that the Project would incur if the PSH affordability commitment were required to be satisfied without additional subsidy (for example, three 1BR units x \$125 PUPM shortfall, plus two 2BR units x \$178 PUPM shortfall, ...).
- % of total refers to the percentage of total units in the Project.